NORTH STAR PARTNERS

UK Mid-Market Pulse Q2 2026

Valuation Multiples by Sector

EV £20m–£300m · UK Companies · Trading and Transaction Multiples

Public Mid-Market Valuations Rebound in Q2 2026

Private Equity Valuations Likely to Follow Suit

Public mid-market multiples rebounded broadly in Q2 2026, with eight of nine verticals re-rating upward quarter-on-quarter (“QoQ”).

The fall in Q1 had been driven by sentiment rather than fundamentals - namely fears of AI disruption in software and the onset of the Iran conflict - and Q2 largely reversed it as those pressures eased late in the quarter. Two structural themes added support: the re-rating of defence-related industrials, underpinned by the UK Defence Investment Plan in June, and the boom in AI-related hardware spending that led global equities in April and May. The recovery held despite a weakening domestic backdrop, with the Bank of England holding rates at 3.75% and some members voting to raise.

Industrials & Manufacturing led at +11.0% QoQ, with Financial Services (+9.9%) and Leisure & Hospitality (+9.8%) close behind. However, the recovery should be read with caution: multiples remain down YoY in seven of nine verticals, with little improvement in the underlying operating environment. The re-rating reflected an improvement in sentiment rather than fundamentals.

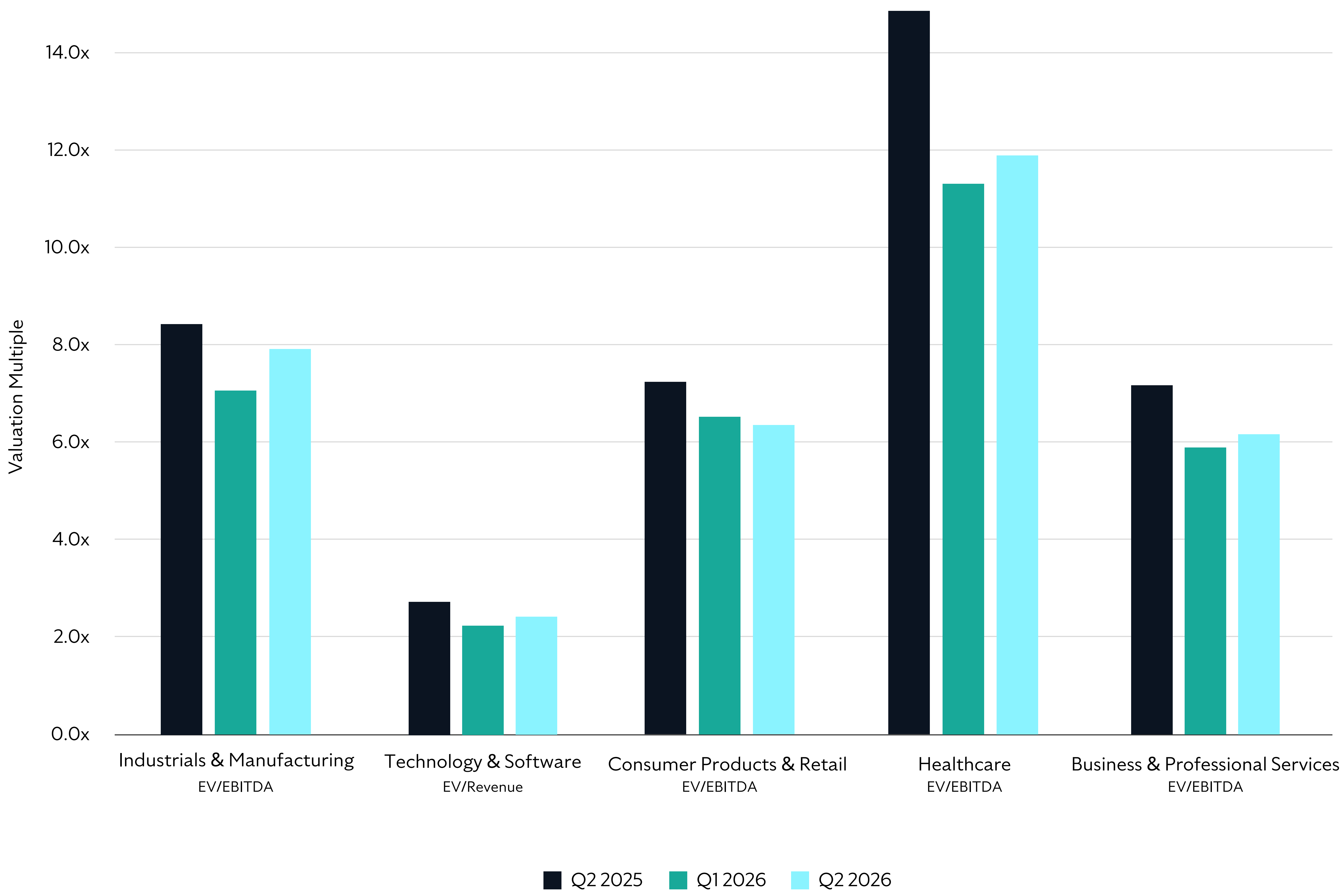
Quarterly Movers Best and Worst Performers (QoQ)	Adopted Multiple	Q2 '26	Q1 '26	QoQ Δ%
Best Performers				
▲ Industrials & Manufacturing	EV/EBITDA	7.9x	7.1x	+11.0%
▲ Financial Services	P/E	13.4x	12.2x	+9.9%
▲ Leisure & Hospitality	EV/EBITDA	9.8x	9.0x	+9.8%
Worst Performers				
▼ Consumer Products & Retail	EV/EBITDA	6.3x	6.5x	-2.8%
▲ Media & Marketing	EV/EBITDA	5.2x	5.1x	+1.9%
▲ Technology & Software	EV/Revenue	2.3x	2.2x	+4.6%

The practical implication for PE funds

The mirror image of last quarter now applies: where Q1 created pressure to mark down, Q2 will give license to mark up. However, funds reflecting that uplift in their portfolio valuations will need to show that the higher multiples reflect value in those specific businesses, rather than applying mark-ups indiscriminately. Justifications should be well documented in order to mitigate audit scrutiny at year-end.

Key Sector Insights

Q2 Sector Valuations: Multiples Rebound Broadly QoQ, Yet Remain Below Last Year's Marks



1

Industrials & Manufacturing

Manufacturing was one of the few areas of the UK economy that improved during the quarter. The S&P Global Manufacturing Purchasing Managers' Index ("PMI") showed production expanding for a third month running, with output growth at a 21-month high. Two things temper that picture: some of the output came from customers stocking up ahead of expected price rises, and new order growth slowed to a six-month low, so the momentum looks likely to fade. High energy costs also remain a constraint, cited by 72% of manufacturers as a barrier to investment.

On top of this came defence. The UK Defence Investment Plan, published on 30 June, confirmed an extra £15bn over four years and around £298bn of total defence investment. This reinforced a theme that has run throughout 2026 and supported demand for defence-related engineering, electronics and instrumentation businesses.

Overall, manufacturing output grew, particularly supported by defence, although the order book points to a slower second half.

7.9x EV/EBITDA
+11.0% QoQ
-5.7% YoY

Key Sector Insights

Q2 Sector Valuations: Multiples Rebound Broadly QoQ, Yet Remain Below Last Year's Marks

2

Technology & Software

The software sell-off that defined the first quarter gave way to a different driver in the second. Whereas Q1 was about AI as a threat to software business models, Q2 was defined by money flowing into AI infrastructure - i.e., semiconductors, computing power and data-centre hardware - which led the sector's recovery. Enterprise software remained under pressure over concerns for the outlook for seat-based pricing, and some of the more highly-valued names sold off again in June.

It is worth noting that most UK-listed mid-market technology companies are not large SaaS businesses. They are semiconductor and chip-design firms, specialist hardware makers and vertical software providers. The recovery favoured the companies with exposure to the AI supply chain and contracted revenue, rather than the sector as a whole.

Overall, the increase in multiples was a re-rating of AI-related hardware and semiconductor names rather than a broad recovery in software.

2.3x EV/Revenue
+4.6% QoQ
-15.0% YoY

3

Consumer Products & Retail

The UK consumer sector remained relatively weak throughout the quarter. Consumer confidence as assessed by GfK held deeply negative at -23 in June, and intentions to make big-ticket purchases were at their lowest since January 2025. The CBI's retail survey showed sales volumes falling at their fastest annual rate in over a year, with the weakest performance for the time of year since January 2024. Improved performance in May, with retail sales up 3.7% on the year, was mostly due to the UK heatwave and bank holidays, and did not carry through to June.

The backdrop remains relatively similar to the prior quarter: inflation is still above target, interest rates are on hold, and households are cautious and dipping into savings. Discretionary and higher-value purchases are seeing the greatest impact.

6.3x EV/EBITDA
-2.8% QoQ
-12.3% YoY

4

Healthcare

Healthcare benefited from its defensive qualities during an uncertain quarter. UK healthcare and pharma-services deal activity remained busy, with investors drawn to the sector's resilience and steady demand, and private equity's appetite for listed healthcare businesses described as strong. Buyers favoured cash-generative services businesses over earlier-stage development. On the biotech side, funding showed early signs of recovery, with first-quarter equity financing up 18% on the previous quarter, though it remained concentrated in a small number of larger, later-stage rounds.

This points to investors rotating toward defensive, cash-generative healthcare as the wider economy softened. This is the profitable end of the sector, spanning diagnostics, animal health, medical technology and services, that our figures are based on. The pre-revenue biotech names, valued on their pipelines rather than earnings, sit outside this.

11.9x EV/EBITDA
+4.6% QoQ
-19.6% YoY

5

Business & Professional Services

Multiples increased in Q2, although this was at odds with the fundamentals in the sector. The S&P Global services PMI fell to 48.8 in June, a second straight month of decline and the steepest since January 2023, with new work falling, firms cutting staff, and professional services businesses citing more cautious clients and political uncertainty. The Bank of England's June minutes also described services output as soft.

The increase in multiples against this backdrop reflects more the asset-light services businesses lifting with the wider improvement in market sentiment and small-cap recovery rather than any improvement in underlying performance. At 6.2x the sector remains well below where it stood a year ago, down 13.5%.

6.2x EV/EBITDA
+5.8% QoQ
-13.5% YoY

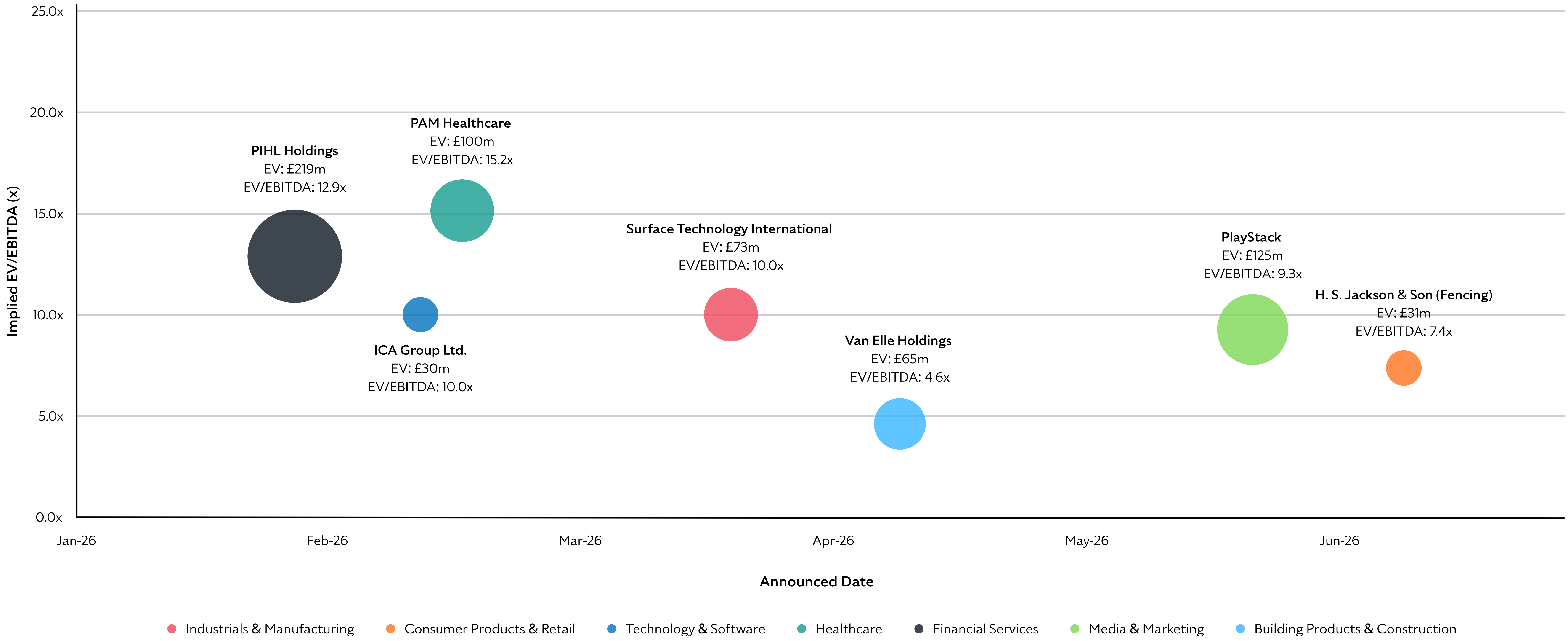
Valuation Multiples by Sector

Sector	Adopted Multiple	Q2 '26	Q1 '26	Q2 '25	QoQ Δ%	YoY Δ%
Industrials & Manufacturing	EV/EBITDA	7.9x	7.1x	8.4x	+11.0%	-5.7%
Consumer Products & Retail	EV/EBITDA	6.3x	6.5x	7.2x	-2.8%	-12.3%
Leisure & Hospitality	EV/EBITDA	9.8x	9.0x	9.5x	+9.8%	+3.7%
Technology & Software	EV/Revenue	2.3x	2.2x	2.7x	+4.6%	-15.0%
Business & Professional Services	EV/EBITDA	6.2x	5.9x	7.2x	+5.8%	-13.5%
Healthcare	EV/EBITDA	11.9x	11.4x	14.8x	+4.6%	-19.6%
Financial Services	P/E	13.4x	12.2x	12.5x	+9.9%	+7.2%
Media & Marketing	EV/EBITDA	5.2x	5.1x	7.2x	+1.9%	-26.8%
Building Products & Construction	EV/EBITDA	6.4x	6.1x	8.4x	+5.8%	-23.4%

Note: Percentage changes are calculated from unrounded multiples and may not recompute precisely from the rounded figures shown.

Recent Transaction Multiples by Sector

We noted the following transactions taking place in the last six months in the UK mid-market, as defined by enterprise values between £20m and £300m:



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North Star Partners provides independent portfolio valuations for private equity and private credit funds.

If these movements affect your Q2 reporting, we're happy to discuss with you further.

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Appendix

Sources and Data

Data on company and transaction multiples was sourced from S&P Capital IQ. The following sources were used while researching the explanations for quarterly movements:

- Bank of England - Monetary Policy Summary & Minutes, 17 June 2026
- TradingEconomics / Mortgage One — BoE April 8–1 and June 7–2 votes
- Cambridge Currencies — UK rate outlook
- PitchBook — Q2 2026 Leveraged Loan Market Wrap
- Morningstar — AI Stocks Fueled the Market's Q2 Comeback
- UK Finance — Monthly Economic Review, June 2026
- Bain & Company — Why SaaS Stocks Have Dropped (Apr 2026)
- AllianceBernstein — Software's Big Sell-Off (Mar 2026)
- CNBC — AI/SaaS sell-off (Feb 2026)
- S&P Global — UK Manufacturing PMI, June 2026; UK Services PMI, June 2026
- PwC — commentary on the June 2026 UK Manufacturing PMI
- GOV.UK — Defence Investment Plan Funding Explainer (30 June 2026);
- Saxo — DIP scale and sector impact
- GfK / NIQ Consumer Confidence, June 2026; CBI Distributive Trades Survey, 26 June 2026
- BRC-Opinium and BRC-KPMG Retail Sales Monitor
- Grant Thornton — Healthcare & Pharma Services M&A Review, Spring 2026
- BioIndustry Association — Q1 2026 biotech financing report
- FactSet Earnings Insight, Q2 2026

Methodology

We selected comparable companies based on the following criteria:

- UK-listed (for trading multiples)
- Enterprise value between £20m and £300m (taken as a simplified figure of Market Cap + Net Debt as of the latest quarter end)
- Business operations primarily based in the UK
- Excluding Energy, Mining, and Real Estate sectors as these are considered to be of less importance to the mid-market private equity market

We considered as outliers companies with a valuation multiple outside of reasonable limits for the sector, determining that these are a result of idiosyncratic factors that do not reflect performance for the broader industry.